

GLOSSARY OF TERMS

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The City of Hampton's Annual Budget is structured to be easy to understand and meaningful to the general public and organizational users. To assist those who are unfamiliar with budgeting terms or those terms specific to Hampton's budgeting process, this glossary is provided.

Accounting System - The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of an entity or fund.

Accrual Accounting - A basis of accounting in which revenues are recognized in the accounting period in which they are earned, and expenditures are recognized in the period in which they are incurred.

Actual - Denotes factual revenue or expenditure totals for a given period, as opposed to "Budget" which denotes estimates for a given period.

Adoption of Budget - A formal action by the City Council which sets the spending appropriations and limits for the fiscal year.

Appropriation - A legal expenditure authorization granted by the City Council to incur obligations for specific purchases. Appropriations are usually limited as to amount, purpose and time.

Assessed Value - A valuation set on real estate or other property by the City Assessor as a basis for levying property taxes.

Assigned Fund Balance - A fund Balance classification that consists of funds intended to be used by the City for a specific purpose that is neither restricted nor committed. The governing body itself or an official such as the City Manager has the authority to assign amounts to be used for specific purposes. Assigned fund balance does not require a resolution.

Audit - A comprehensive investigation of the manner in which the government's resources were actually utilized. A financial audit is a review of accounting systems and financial information to determine how government funds

were spent and if the expenditures were in compliance with the legislative body's appropriations.

Balanced Budget - The City Code requirement for the budget document to have planned revenues equal planned expenditures.

Bond - A written promise to pay a specified sum of money (called principal or face value) at a specified future date (maturity date) along with periodic interest paid at a specified percentage or the principal (interest rate). Bonds are typically used for long-term debt.

Budget - A document showing the City's financial plan for revenues and expenditures for a given period of time.

Budget Amendment - A legal procedure utilized by the City staff and City Council to revise a budget appropriation.

Budget Calendar - A schedule of key dates or milestones in which the City management and City Council follow in the preparation, adoption, and administration of the budget.

Budget Document - The instrument used by the budget-making authority to present a comprehensive financial program to the City Council.

Budget Message - A message prepared by the City Manager explaining the proposed budget and the steps taken to achieve a balanced budget; strategies to achieve the City's goals and highlighting the budget impacts and changes.

Budget Process - The series of steps involved in the planning, preparation, implementation, and monitoring of the City's Budget.

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Budget Review Committee - A budget team established by the City Manager to assist with reconciling available resources, citizen or departmental expenditure requests and the needs and goals of the City during the budget preparation.

Budget Transfer - The transfer of an authorized budget dollar amount from one account or fund to another, after the adoption of the budget.

Capital Assets - An asset costing \$50,000 or more with a useful life of more than five years.

Capital Budget - A plan of proposed expenditures for infrastructure, buildings, parks, etc., and their financing sources. The first fiscal year of the five year CIP is the basis for the capital budget.

Capital Outlay - Expenditures which result in the acquisitions of, or addition to, fixed assets.

Capital Improvement Plan (CIP) - A plan for capital expenditures to be incurred each year over a period of five future years setting forth each capital project, identifying the expected beginning and ending date for each capital project, the amount to be expended in each year, and the method of financing those expenditures.

Capital Projects - Typically, a capital project encompasses a purchase of land and/or the construction of a building or facility.

City Council - The legislative branch of the City composed of these elected officials; one Mayor, one Vice-Mayor and five Council Members.

Community Development Block Grant and HOME Fund - Funds awarded to the City annually from the Department of Housing and Urban Development which are used to complement other resources in the implementation of the Healthy Neighborhoods Initiative.

Comprehensive Annual Financial Report (CAFR) - The complete annual financial report, prepared by an independent auditing firm that provides detailed information on the City's financial position for a given period.

Contingency - An appropriation of reserved funds to cover unforeseen expenditures and emergencies.

Council's Goals - A statement of the purpose of Hampton City Government.

Debt Service - The City's payment of principal and interest related to all long-term debt according to a pre-determined payment schedule.

Debt Service Fund - A fund established to account for the accumulation of resources for, and the payment of, all general long-term debt principal and interest.

Department - A major administrative division of the City that has overall management responsibility for an operation or a group of related operations within a functional area.

Economic Development Fund - Capital fund derived primarily from land sales and rents, established for public improvement projects or purchases and acquisition of land in support of Economic Development efforts.

Employee Benefits - Contributions made by the City to designated funds to meet commitments or obligations for employee fringe benefits. Included are the City's share of the cost of social security and the various pensions, medical and life insurance plans.

Encumbrances - The commitment of appropriated funds to purchase now or in the future an item or service.

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Enterprise Fund - A fund whose income is derived from user fees charged to the general public. The Enterprise departments in the City are the Coliseum, the Golf Courses, and the Hampton Roads Convention Center and Steam Plant. These Departments operate in a manner similar to private businesses.

EXCEL Fund - Acronym for Environmental Excellence for Community Enjoyment and Livability, this capital fund finances capital improvements which result in improved social, recreational, and cultural opportunities for residents, beautification of areas, or projects to enhance or preserve something of community value.

Expenditures - An outflow of resources that results in a decrease in the fund's net assets. Expenditures, used with governmental-type funds, are categorized as current expenditures, debt service, capital outlays, and other financing uses. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt and on special assessment indebtedness secured by interest-bearing special assessment levies, which should be recognized when due.

Fiscal Year - The twelve month period of the budgetary year. The fiscal year for the budget begins on July 1st and ends the following June 30th.

Fund - An independent group of accountings that are self-balancing by recording its related assets, liabilities, and fund balances/retained earnings, and revenues and expenditures/ expenses.

Fund Balance - The excess amount of the revenues and other financing sources over the expenditures and other uses. Usually refers to the General Fund.

General Fund - The General Fund finances the regular day-to-day operations of the City. It accounts for all revenues and expenditures which are not accounted for in special purpose funds. This fund's source is taxes and fees generated at the local level, such as real estate, personal property, utility taxes, etc.

General Obligation Bonds - Long-term obligations backed by the "full faith and credit" pledge of the City's general fund revenues.

Generally Accepted Accounting Principles (GAAP) - The standard rules and procedures set to account for the receipt and expenditure of funds.

Goals - An intended accomplishment based on critical issues identified both by the City Management and the Council.

Government Finance Officers Association (GFOA) - The GFOA is a professional association of public officials whose main goals are to identify and develop state/local government financial and budgeting policies and practice for the public's benefits. Annually, the City applies for the distinguished GFOA awards for the Certificate of Achievement in Financial Reporting (for CAFR) and The Distinguished Budget Preparation Award (for the budget document).

Governmental Accounting Standards Board (GASB) - A body that established accounting principles for both state and local governments.

Grant - A contribution of assets by one governmental unit or other type organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grants are usually made for specified purposes.

Hampton Comprehensive Plan - This document is an update of the 1998 Strategic Plan and the 2010

Comprehensive Plan adopted by City Council in 1989 to provide a foundation for other City policy, planning and budgeting initiatives.

Infrastructure - The structural underlying framework for physical assets such as streets, bridges and buildings.

Intergovernmental Revenues - Revenues received from another government entity, such as the state or federal government.

Internal Service Fund - A proprietary fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. While accounted for on a similar basis as a private business, Internal Service Funds include Risk Management, Fleet Management, and Information Technology.

Modified Accrual Basis - The accrual basis of accounting under which expenditures, other than accrued interest on general long-term debt, are recorded at the time liabilities are incurred and revenues are recorded when received in cash, unless they are “measurable” and “available” to finance governmental operations or are of a material amount and were not received at the normal time of receipt.

Operating Budget - A plan of financial operation embodying an estimate of proposed expenditures for the fiscal year and the proposed means of financing them (revenue estimates).

Ordinance - An ordinance becomes the local law of the City of Hampton if adopted by the City Council. If the ordinance deals with matters of a general and permanent nature, it is included in the Hampton City Code. If the ordinance deals with matters of a special nature, it is a non-coded ordinance.

Nonspendable Fund Balance - A fund balance classification which includes items where the cash will not be realized in the next year such as

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inventory, long-term receivable, or a fund that is legally or contractually required to be maintained in tact such as a permanent fund.

Performance Indicators - Quantitative and qualitative statistical information used to assess how successful the departments are at achieving their goals and objectives.

Permanent Full-Time (PFT) - A staffing level measurement whereas, one PFT is equal to one full-time position for an entire year.

Personal Services - Items of expenditures in the operating budget for salaries and wages paid for services performed by City employees as well as the fringe benefit costs associated with City of Hampton employees.

Projected - An estimation of revenues and expenditures based on past trends, current economic conditions and future financial forecasts.

Property Tax - A tax levied on the assessed value of real, public utility and personal property.

Recommended Budget - Each year, the City Manager submits a formal budget to City Council based on his recommendations and Council has the option to adopt as is or to modify and adopt.

Reserve - A portion of fund balance that is restricted for a special purpose.

Resolution - A resolution is a method of expressing the opinion or policy of the City Council about matters of administration. Resolutions are less formal than ordinances.

Resources - Total combined amount of beginning funds on hand and estimated revenues available for appropriation.

Restricted Fund Balance - A fund balance classification where the constraints are placed on these funds are either externally imposed by

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creditors, grantors, laws or regulations of other governments or they are imposed by law through constitutional provisions or enabling legislation.

Revenue - The term designates an increase in a fund's assets which does not increase a liability (e.g., proceeds from a loan), does not represent a repayment of an expenditure already made, does not represent a cancellation of certain liabilities, and does not represent an increase in contributed capital.

Revenue Estimate - A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

Risk Management - The coordinated and continuous effort to minimize the potential financial and human resource losses arising from workers compensation, liability and property exposures.

School Operating Fund - A special revenue fund used to account for the revenues and expenditures of the Hampton City School System.

Special Revenue Fund - Revenues in this fund are restricted for a specific purpose. Examples of special revenue funds are CDBG Fund and Economic Development Fund.

Strategic Plan - With broad direction provided by the Community Plan, this plan outlines the most effective ways for achieving those goals throughout different strategies, programs and action plans.

Tax Rate - The amount of tax levied for each \$100 of assessed value.

Transfer To - This term refers to the transfer of financial resources out of one fund to another fund. Typically, these transfers are from the General Fund to other funds.

Unassigned Fund Balance - (formerly undesignated fund balance) is the amount of fund balance in the General Fund which cannot be classified as non-spendable, restricted, committed or assigned. It represents the excess of a fund's assets and estimated revenue for a period over its liabilities, restricted, committed assigned, non-spendable and available appropriations for the period.

Undesignated Fund Balance – See definition for *Unassigned Fund Balance*.

Virginia Retirement System (VRS) - An agent and cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Virginia and offered to Virginia's public sector employees.